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UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Washington 25, D. C.

Administrative Bulletin

SUBJECT: Minimum Requirements with Respect to Insurance and Fidelity Coverage for Borrowers' Operations

1. It is the policy of the Rural Electrification Administration to require borrowers operating electric distribution, transmission and generation facilities, or refrigeration food storage lockers, to maintain insurance and fidelity coverage of the types and in the amounts as follows:
 - a. Fidelity coverage for all officers, employees and collection agents in the following minimum amounts based on the amount of the annual gross revenue of the borrower:

Annual Gross Revenue		Amount of Coverage
Less than	\$100,000	\$10,000
From	\$100,000 to 150,000	15,000
	150,001 to 200,000	20,000
	200,001 to 250,000	25,000
	250,001 to 300,000	30,000
	300,001 to 400,000	40,000
Over	400,000	50,000

The above schedule of minimum coverage applies to the borrower's normal operations and inventories in cases in which the borrower follows the recommendations of REA in the handling or accounting for receipts, disbursements, materials or delinquent accounts receivable.

If the Administrator shall determine that the security of the Government loan is jeopardized by failure of a borrower to follow the recommendations of REA in the handling or accounting for receipts, disbursements, materials or delinquent accounts receivable, the minimum amount of coverage in the above table shall be increased by fifty percent.

- b. Workmen's compensation insurance covering all borrowers' employees for statutory limits; occupational disease liability, when not provided under the State Compensation Law, in limits of not less than \$10,000 for any one employee and \$25,000 aggregate for the policy period; in Oklahoma, limits for personal injury or death shall be not less than \$50,000 for each person; and "extra legal" medical aid coverage in States where full medical coverage is not statutory.
- c. Public liability and property damage liability insurance covering all operations of borrowers; limits for bodily injury or death, not less than \$50,000 for one person and \$100,000 for each accident; limits for property damage not less than \$25,000 for each accident and \$50,000 total for the policy period, except that for operating refrigeration food storage lockers the limit shall be \$2,000 for each accident.
- d. Liability insurance on all motor vehicles and trailers used in the conduct of borrowers' business, whether owned, non-owned or hired; public liability limits of not less than \$50,000 for one person and \$100,000 for each accident; property damage limits of \$5,000 for each accident.
- e. Fire, theft and windstorm insurance in the amount of the actual cash value covering loss of or damage to borrowers' owned motor vehicles.
- f. Fire and either windstorm or extended coverage insurance on property of borrowers, including all types of generating plants, refrigerating plants, buildings equipment, supplies, and materials (exclusive of distribution and transmission lines, sub-stations, and materials stored in the open and not within 100 feet of any building but including fire insurance on poles wherever stored); insured values to be not less than 80 percent of the loan advanced for constructing or acquiring the property insured.
- g. Boiler insurance covering losses resulting from the exploding of specified boilers or pressure vessels; limit not less than \$150,000 for each accident.

2. Insurance policies and bonds issued to borrowers shall include endorsement providing for the carrier's furnishing to the Administration copies of all endorsements, notices of cancellation, and premium audits issued or made after the effective date of the policy or bond.

3. It is the policy of the Rural Electrification Administration to recommend to borrowers that:
 - a. They maintain all casualty insurance in one company, wherever possible, for concurrent policy periods;
 - b. Policies of insurance be effective from the first day of any calendar month;
 - c. Fidelity coverage be maintained continuously with one company.
4. This Bulletin supersedes all other existing instructions in conflict with its provisions.

Claude R. Wickard

Administrator

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